

ORIGINAL

OPEN MEETING AGENDA ITEM



0000120241

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

KRISTIN K. MAYES

Chairman

GARY PIERCE

Commissioner

PAUL NEWMAN

Commissioner

SANDRA D. KENNEDY

Commissioner

BOB STUMP

Commissioner

2010 NOV 23 P 4:43

ARIZONA CORPORATION COMMISSION

DOCKET CONTROL

In the matter of:

Norstreet Portfolio, LLC, an Arizona limited liability company,

Nathan Nordstrom, a divorced man and Lorrie Beckham (f/k/a Lorrie Nordstrom), the former spouse,

Wayne Scott Clague, a divorced man and Karen Stensler (f/k/a Karen Clague), the former spouse,

Respondents.

DOCKET NO. S-20759A-10-0387

RESPONDENT KAREN STENSLER'S ANSWER

Respondent Karen Stensler f/k/a Karen Clague ("Respondent") submits her Answer to the Notice of Opportunity for Hearing Regarding Proposed Order to Cease and Desist, Order for Restitution, for Administrative Penalties and for Other Affirmative Action (the "Notice").

Respondent responds to the numbered paragraphs of the Notice as follows:

I.

JURISDICTION

1. Respondent denies the allegations in paragraph 1.

...

...

...

Arizona Corporation Commission

DOCKETED

NOV 23 2010

DOCKETED BY

*[Signature]*

II.

RESPONDENTS

2. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 2 and therefore denies the allegations.

3. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 3 and therefore denies the allegations.

4. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 4 and therefore denies the allegations.

5. Paragraph 5 does not require a response.

6. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 6 and therefore denies the allegations.

7. Respondent admits the allegations in paragraph 7.

8. Paragraph 8 does not require a response.

9. Respondent denies the allegations in paragraph 9.

III.

FACTS

10. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 10 and therefore denies the allegations.

11. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 11 and therefore denies the allegations.

12. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 12 and therefore denies the allegations.

1           13.    Respondent lacks sufficient knowledge or information to form a belief as to the  
2 truth or falsity of the allegations contained in paragraph 13 and therefore denies the allegations.

3           14.    Respondent lacks sufficient knowledge or information to form a belief as to the  
4 truth or falsity of the allegations contained in paragraph 14 and therefore denies the allegations.

5           15.    Respondent lacks sufficient knowledge or information to form a belief as to the  
6 truth or falsity of the allegations contained in paragraph 15 and therefore denies the allegations.

7                   a)    Respondent lacks sufficient knowledge or information to form a belief as to  
8                   the truth or falsity of the allegations contained in paragraph 15(a) and  
9                   therefore denies the allegations.

10                   b)   Respondent lacks sufficient knowledge or information to form a belief as to  
11                   the truth or falsity of the allegations contained in paragraph 15(b) and  
12                   therefore denies the allegations.

13                   c)   Respondent lacks sufficient knowledge or information to form a belief as to  
14                   the truth or falsity of the allegations contained in paragraph 15(c) and  
15                   therefore denies the allegations.

16                   d)   Respondent lacks sufficient knowledge or information to form a belief as to  
17                   the truth or falsity of the allegations contained in paragraph 15(d) and  
18                   therefore denies the allegations.

19                   e)   Respondent lacks sufficient knowledge or information to form a belief as to  
20                   the truth or falsity of the allegations contained in paragraph 15(e) and  
21                   therefore denies the allegations.

1 f) Respondent lacks sufficient knowledge or information to form a belief as to  
2 the truth or falsity of the allegations contained in paragraph 15(f) and  
3 therefore denies the allegations.

4 g) Respondent lacks sufficient knowledge or information to form a belief as to  
5 the truth or falsity of the allegations contained in paragraph 15(g) and  
6 therefore denies the allegations.

7 h) Respondent lacks sufficient knowledge or information to form a belief as to  
8 the truth or falsity of the allegations contained in paragraph 15(h) and  
9 therefore denies the allegations.

10 i) Respondent lacks sufficient knowledge or information to form a belief as to  
11 the truth or falsity of the allegations contained in paragraph 15(i) and  
12 therefore denies the allegations.

13  
14 16. Respondent lacks sufficient knowledge or information to form a belief as to the  
15 truth or falsity of the allegations contained in paragraph 16 and therefore denies the allegations.  
16

17 17. Respondent lacks sufficient knowledge or information to form a belief as to the  
18 truth or falsity of the allegations contained in paragraph 17 and therefore denies the allegations.

19 18. Respondent lacks sufficient knowledge or information to form a belief as to the  
20 truth or falsity of the allegations contained in paragraph 18 and therefore denies the allegations.

21 19. Respondent lacks sufficient knowledge or information to form a belief as to the  
22 truth or falsity of the allegations contained in paragraph 19 and therefore denies the allegations.

23 20. Respondent lacks sufficient knowledge or information to form a belief as to the  
24 truth or falsity of the allegations contained in paragraph 20 and therefore denies the allegations.  
25  
26  
27

1           21.    Respondent lacks sufficient knowledge or information to form a belief as to the  
2 truth or falsity of the allegations contained in paragraph 21 and therefore denies the allegations.

3           22.    Respondent lacks sufficient knowledge or information to form a belief as to the  
4 truth or falsity of the allegations contained in paragraph 22 and therefore denies the allegations.

5           23.    Respondent lacks sufficient knowledge or information to form a belief as to the  
6 truth or falsity of the allegations contained in paragraph 23 and therefore denies the allegations.

7           24.    Respondent lacks sufficient knowledge or information to form a belief as to the  
8 truth or falsity of the allegations contained in paragraph 24 and therefore denies the allegations.

9           25.    Respondent lacks sufficient knowledge or information to form a belief as to the  
10 truth or falsity of the allegations contained in paragraph 25 and therefore denies the allegations.

11           26.    Respondent lacks sufficient knowledge or information to form a belief as to the  
12 truth or falsity of the allegations contained in paragraph 26 and therefore denies the allegations.

13           27.    Respondent lacks sufficient knowledge or information to form a belief as to the  
14 truth or falsity of the allegations contained in paragraph 27 and therefore denies the allegations.

15           28.    Respondent lacks sufficient knowledge or information to form a belief as to the  
16 truth or falsity of the allegations contained in paragraph 28 and therefore denies the allegations.

17           29.    Respondent lacks sufficient knowledge or information to form a belief as to the  
18 truth or falsity of the allegations contained in paragraph 29 and therefore denies the allegations.

19           30.    Respondent lacks sufficient knowledge or information to form a belief as to the  
20 truth or falsity of the allegations contained in paragraph 30 and therefore denies the allegations.

21           31.    Respondent lacks sufficient knowledge or information to form a belief as to the  
22 truth or falsity of the allegations contained in paragraph 31 and therefore denies the allegations.  
23  
24  
25  
26  
27

1           32.     Respondent lacks sufficient knowledge or information to form a belief as to the  
2 truth or falsity of the allegations contained in paragraph 32 and therefore denies the allegations.

3           33.     Respondent lacks sufficient knowledge or information to form a belief as to the  
4 truth or falsity of the allegations contained in paragraph 33 and therefore denies the allegations.

5           34.     Respondent lacks sufficient knowledge or information to form a belief as to the  
6 truth or falsity of the allegations contained in paragraph 34 and therefore denies the allegations.

7           35.     Respondent lacks sufficient knowledge or information to form a belief as to the  
8 truth or falsity of the allegations contained in paragraph 35 and therefore denies the allegations.

9           36.     Respondent lacks sufficient knowledge or information to form a belief as to the  
10 truth or falsity of the allegations contained in paragraph 36 and therefore denies the allegations.

11           37.     Respondent lacks sufficient knowledge or information to form a belief as to the  
12 truth or falsity of the allegations contained in paragraph 37 and therefore denies the allegations.

13           38.     Respondent lacks sufficient knowledge or information to form a belief as to the  
14 truth or falsity of the allegations contained in paragraph 38 and therefore denies the allegations.

15           39.     Respondent lacks sufficient knowledge or information to form a belief as to the  
16 truth or falsity of the allegations contained in paragraph 39 and therefore denies the allegations.

17           40.     Paragraph 40 quotes the language of the Hawaii Revised Statutes and therefore does  
18 not require a response.

19           41.     Respondent lacks sufficient knowledge or information to form a belief as to the  
20 truth or falsity of the allegations contained in paragraph 41 and therefore denies the allegations.

21           42.     Respondent lacks sufficient knowledge or information to form a belief as to the  
22 truth or falsity of the allegations contained in paragraph 42 and therefore denies the allegations.

43. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 43 and therefore denies the allegations.

44. Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 44 and therefore denies the allegations.

#### IV.

**VIOLATION OF A.R.S. § 44-1841  
(Offer or Sale of Unregistered Securities)**

45. Respondent denies the allegations in paragraph 45.

46. Respondent denies the allegations in paragraph 46.

47. Respondent denies the allegations in paragraph 47.

**V.**

**VIOLATION OF A.R.S. § 44-1842**  
**(Transactions by Unregistered Dealers or Salesmen)**

48. Respondent denies the allegations in paragraph 48.

49. Respondent denies the allegations in paragraph 49.

## VI.

**VIOLATION OF A.R.S. § 44-1991**  
**(Fraud in Connection with the Offer or Sale of Securities)**

50. Respondent denies the allegations in paragraph 50.

a) Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 50(a) and therefore denies the allegations.

b) Respondent lacks sufficient knowledge or information to form a belief as to the truth or falsity of the allegations contained in paragraph 50(b) and therefore denies the allegations.

1 c) Respondent lacks sufficient knowledge or information to form a belief as to  
2 the truth or falsity of the allegations contained in paragraph 50(c) and  
3 therefore denies the allegations.

4 51. Respondent lacks sufficient knowledge or information to form a belief as to the  
5 truth or falsity of the allegations contained in paragraph 51 and therefore denies the allegations.

6 52. Respondent lacks sufficient knowledge or information to form a belief as to the  
7 truth or falsity of the allegations contained in paragraph 52 and therefore denies the allegations.

8 53. Respondent denies the allegations in paragraph 53.

9 54. Respondent denies each and every allegation not specifically admitted.

10  
11 **AFFIRMATIVE DEFENSES**

12 The following affirmative defenses nullify any potential claims asserted by the Division.  
13 Respondent reserves the right to amend this Answer to assert additional defenses after completion  
14 of discovery.

15  
16 **First Affirmative Defense**

17 The Division cannot meet the applicable standards for any of the relief it is seeking in the  
18 Notice.

19 **Second Affirmative Defense**

20 Respondent did not offer or sell securities within the meaning of the Arizona Securities  
21 Act.

22  
23 **Third Affirmative Defense**

24 Respondent did not offer or sell or participate in the offer or sale of securities.

25 **Fourth Affirmative Defense**

26 Restitution is not an appropriate remedy.  
27



**Fifth Affirmative Defense**

To the extent an award of restitution is appropriate, the Commission should use its discretion to reduce the amount, if any, Respondent must pay.

**Sixth Affirmative Defense**

The ACC lacks jurisdiction to decide matters relating to the liability of a marital community. Rather, the superior court is vested with original jurisdiction to hear and decide all matters arising pursuant to A.R.S. § 25-215(D). A.R.S. § 25-311(A).

**Seventh Affirmative Defense**

Respondent is not Respondent Clague's spouse within the meaning of A.R.S. § 44-2031(C).

**Eighth Affirmative Defense**

There is no marital community of Respondent and Respondent Clague for which to subject any order of restitution, rescission, or administrative penalties.

**Ninth Affirmative Defense**

Respondent is not liable for any restitution, rescission, or administrative penalties resulting from Respondent Clague's fraudulent activity because the activity was not intended to benefit the marital community. A.R.S. § 25-215(D).

**Tenth Affirmative Defense**

The Premarital Agreement executed by Respondent and Respondent Clague on March 16, 2006 precludes Respondent's liability for payment of any obligations incurred by Respondent Clague during the marriage. A.R.S. § 25-203.

...

...

...

**Eleventh Affirmative Defense**

Pursuant to the parties' Premarital Agreement, Respondent's sole and separate property cannot be used to satisfy any debt or obligation incurred by Respondent Clague during the marriage. A.R.S. § 25-203.

**Twelfth Affirmative Defense**

Respondent was also an investor and therefore a victim of the other Respondents' fraudulent activity, a person intended to be protected by Arizona's securities laws not prosecuted due to the unfortunate fact of being married to one of the wrong-doers at the time of his fraudulent activity unbeknownst to Respondent.

**Thirteenth Affirmative Defense**

Respondent alleges such other affirmative defenses set forth in the Arizona Rules of Civil Procedure 8(c) as may be determined to be applicable during discovery.

RESPECTFULLY SUBMITTED this 23<sup>rd</sup> day of November, 2010.

BADE & BASKIN PLC

By 

Alan S. Baskin  
80 East Rio Salado Parkway, Suite 511  
Tempe, Arizona 85281  
Attorneys for Respondent Karen Stensler

BADE & BASKIN PLC  
80 EAST RIO SALADO PARKWAY  
SUITE 511  
TEMPE, ARIZONA 85281  
TELEPHONE NO 480-968-1225  
FACSIMILE 480-968-6255

BADE & BASKIN PLC  
80 EAST RIO SALADO PARKWAY  
SUITE 511  
TEMPE, ARIZONA 85281  
TELEPHONE NO 480-968-1225  
FACSIMILE 480-968-6255

1 ORIGINAL and thirteen copies of the foregoing  
2 filed this 23<sup>rd</sup> day of November, 2010 with:

3 Docket Control  
4 Arizona Corporation Commission  
5 1200 West Washington Street  
6 Phoenix, AZ 85007

7 COPY of the foregoing hand-delivered  
8 this 23<sup>rd</sup> day of November, 2010 to:

9 Matthew J. Neubert  
10 Director of Securities  
11 Securities Division  
12 Arizona Corporation Commission  
13 1300 W. Washington Street, 3<sup>rd</sup> Floor  
14 Phoenix, AZ 85007

15 COPY of the foregoing mailed  
16 this 23<sup>rd</sup> day of November, 2010 to:

17 Paul Huynh  
18 Securities Division  
19 Arizona Corporation Commission  
20 1300 W. Washington, 3<sup>rd</sup> Floor  
21 Phoenix, AZ 85007

22   
23  
24  
25  
26  
27

stensler.acc/pld/answer.doc